

Message Text

UNCLASSIFIED

PAGE 01 STATE 219920
ORIGIN EUR-12

INFO OCT-01 ISO-00 /013 R

DRAFTED BY EUR/SOV:TTENCH:PJP
APPROVED BY EUR/SOV:SMCCALL
EUR/SOV:MWENICK

-----012581 300225Z /66

O P 300033Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY MOSCOW IMMEDIATE
INFO AMEMBASSY LONDON PRIORITY

UNCLAS STATE 219920

LONDON PASS AMBASSADOR TOON

E.O. 11652: N/A

TAGS: UR, US, OSPN

SUBJECT: WASHINGTON STAR ARTICLE ON SALE OF OIL TECHNOLOGY

UNDER THE HEADLINE "CARTER AIDES SPLIT ON EXPORT DEAL", THE
WASHINGTON STAR OF AUGUST 29 CARRIED THE FOLLOWING ARTICLE
BY BERNARD GWERTZMAN:

BEGIN TEXT: A MAJOR CABINET-LEVEL DISPUTE HAS ARISEN WITHIN
THE CARTER ADMINISTRATION WITH SOME PROMINENT OFFICIALS
TRYING TO PERSUADE PRESIDENT CARTER TO REVOKE THE DECISION
MADE EARLIER THIS MONTH TO ALLOW THE EXPORT OF ADVANCED OIL
DRILLING TECHNOLOGY TO THE SOVIET UNION.

THE UNUSUAL CONTROVERSY HAS BEEN FANNED BY A STILL-SECRET
REPORT JUST COMPLETED BY A SCIENCE ADVISORY BOARD THAT WAS
SHARPLY CRITICAL OF THE DECISION TO PERMIT DRESSER INDUST-
RIES OF DALLAS TO PROCEED WITH A 144 MILLION DOLS DEAL TO
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 219920

BUILD AND TURN OVER A PLANT IN THE SOVIET UNION FOR PRODUC-
ING MODERN OIL BITS.

ZBIGNIEW BRZEZINSKI, CARTER'S NATIONAL SECURITY ADVISER,
WHO HAS BEEN ON THE LOSING SIDE OF THE DEBATE SO FAR,
CONVENED A CABINET-LEVEL MEETING AT THE WHITE HOUSE LATE
YESTERDAY TO DISCUSS THE CONCLUSIONS OF THE THREE-DAY-OLD

REPORT, WHICH HAD WARNED THAT THE OIL DRILLING TECHNOLOGY COULD HAVE MILITARY APPLICATIONS.

A PARTICIPANT IN THE MEETING SAID THE DISCUSSION WAS INTENSE. A SPOKESMAN SAID THE RECOMMENDATIONS OF THE DEFENSE SCIENCE ADVISORY BOARD WERE STILL BEING EXAMINED AND THAT SO FAR THE EXPORT LICENSE FOR DRESSER WAS STILL IN EFFECT.

THE ISSUE OF LICENSING OF ADVANCED TECHNOLOGY HAS ALWAYS BEEN CONTROVERSIAL IN WASHINGTON BUT THIS TIME IT HAS TAKEN ON DIFFERENT ASPECTS, WITH BOTH DOMESTIC AND INTERNATIONAL RAMIFICATIONS.

USUALLY, THE DIFFERENT AGENCIES, SUCH AS THE PENTAGON AND THE STATE DEPARTMENT, ARGUE BEHIND THE SCENES OVER WHETHER A LICENSE FOR A PARTICULAR SALE SHOULD BE PERMITTED. IF DISPUTES CANNOT BE RESOLVED AT THE WORKING LEVEL, THEY ARE PROGRESSIVELY TURNED OVER TO HIGHER OFFICIALS, AND IN EXTREME CASES THE PRESIDENT DECIDES. WHAT IS DIFFERENT THIS TIME, IS THAT THE ADMINISTRATION HAD SEEMINGLY RESOLVED THE CONTROVERSY OVER THE DRESSER TRANSACTION AUGUST 9, WHEN IT WAS DISCLOSED THAT A LICENSE HAD BEEN ISSUED FOR THE FINAL SEGMENT FOR THE 144 MILLION DOLS DEAL- A 1 MILLION DOLS; HIGHLY SOPHISTICATED ELECTRON-BEAM UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 219920

WELDING MACHINE.

BUT THE DISCLOSURE, INSTEAD OF ENDING THE DEBATE, ONLY IGNITED A NEW ONE.

SENATOR HENRY M. JACKSON, D-WASH., URGED ON THE SENATE FLOOR THAT THE DRESSER DEAL BE CANCELED. HE WAS PARTICULARLY ANGERED BECAUSE ON AUGUST 7, TWO DAYS BEFORE PERMISSION HAD BEEN GRANTED - HE HAD SPECIFICALLY WRITTEN CARTER ASKING THAT ACTION ON THE DRESSER LICENSE REQUEST BE DELAYED PENDING HEARINGS BY HIS PERMANENT SUBCOMMITTEE ON INVESTIGATIONS INTO WHETHER THE NATIONAL SECURITY WAS ENDANGERED BY SUCH A SALE.

AIDES TO JACKSON SAID HE HAD BEEN ASSURED BY WHITE HOUSE OFFICIALS THAT HIS REQUEST WOULD BE HONORED. AS A RESULT, BRZEZINSKI - WHO DID NOT FAVOR THE DEAL - WAS EMBARRASSED WHEN THE COMMERCE DEPARTMENT, SUPPORTED BY THE TREASURY AND THE STATE AND DEFENSE DEPARTMENTS, WENT AHEAD AND ISSUED THE EXPORT LICENSE WITHOUT CONSULTING WITH HIM.

ENERGY SECRETARY JAMES R. SCHLESINGER, A CLOSE FRIEND OF

JACKSON'S SENT AN ANGRY LETTER TO BRZEZINSKI, PROTESTING

THAT THE LICENSE HAD BEEN ISSUED WITHOUT HIS DEPARTMENT
HAVING AN ADEQUATE CHANCE TO EXPRESS ITS PROPOSITION.

SCHLESINGER'S CONCERN WAS THAT WITH THE MODERN OIL BITS
THE SOVIET UNION WOULD BE ABLE TO INCREASE ITS OIL
PRODUCTION SIGNIFICANTLY AND BECOME A MAJOR VOICE ON THE
INTERNATIONAL OIL MARKET, RAISING IMPLICATIONS FOR THE
WEST.

ADMINISTRATION OFFICIALS SAID THAT FACED WITH POSSIBLY
DAMAGING HEARINGS BY THE JACKSON COMMITTEE, WHOSE STAFF
ALREADY HAS REQUESTED COMPLETE FILES ON THE CASE FROM THE
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 219920

VARIOUS AGENCIES, AND STILL UPSET OVER THE LACK OF
COORDINATION IN ISSUING THE EXPORT LICENSE, BRZEZINSKI -
APPARENTLY WITH CARTER'S APPROVAL - CONVENED AT LEAST TWO
MEETINGS ON THE SUBJECT.

HE WON APPROVAL FOR THE PENTAGON'S DEFENSE SCIENCE ADVISORY
BOARD TO REVIEW THE CASE AND REPORT WHETHER THE TECHNOLOGY
TRANSFER WOULD ENHANCE SOVIET MILITARY POWER AND WHETHER
IT WOULD HAVE DAMAGING EFFECTS ON THE WORLD OIL MARKET.

THE REPORT WAS WRITTEN IN ABOUT A WEEK BY J. FRED BUCY,
PRESIDENT OF TEXAS INSTRUMENTS, WHO IN THE PAST HAS DONE
EXTENSIVE WORK FOR THE PENTAGON ON THE QUESTION OF SELLING
TECHNOLOGY TO COMMUNIST COUNTRIES.

ACCORDING TO OFFICIALS WHO HAVE SEEN THE REPORT TURNED IN
FRIDAY, BUCY SAID THE MODERN OIL DRILLING BITS HAD
MILITARY APPLICABILITY IN THE PRODUCTION OF ARMOR-PIERCING
SHELLS. HE ALSO FOUND THAT THE SOVIET ROLE IN THE WORLD
PETROLEUM MARKET WOULD BE ENHANCED, RAISING PROBLEMS FOR
THE UNITED STATES.

THE BUCY REPORT WAS REPORTEDLY RECEIVED WITH CONSIDERABLE
SKEPTICISM BY THE STATE DEPARTMENT, WHICH HAS SUPPORTED THE
PROJECTED SALE.

SECRETARY OF STATE CYRUS R. VANCE HAD ENDORSED THE EXPORT
LICENSE LAST MONTH AND HAS ARGUED IN PRIVATE AGAINST TRYING
TO INFLUENCE SOVIET POLICY THROUGH HOLDING UP EXPORTS OF
CERTAIN INDUSTRIAL OR AGRICULTURAL PRODUCTS.

STATE DEPARTMENTS ANALYSTS HAVE ARGUED THAT THE TECHNOLOGY
INVOLVED IN THE DRESSER DEAL WAS AVAILABLE IN OTHER
UNCLASSIFIED

UNCLASSIFIED

PAGE 05 STATE 219920

COUNTRIES AND THAT IF THE TEXAS-BASED FIRM DID NOT GET THE CONTRACT, SOME OTHER FOREIGN COMPANY WOULD.

WITH VANCE ON VACATION, THE ACTING SECRETARY, WARREN M.

CHRISTOPHER, AND THE UNDERSECRETARY FOR ECONOMIC AFFAIRS, RICHARD N. COOPER, REPRESENTED THE STATE DEPARTMENT AT YESTERDAY'S WHITE HOUSE MEETING.

THE ORIGINS OF THIS CONTROVERSY GO BACK SEVERAL MONTHS TO THE ADMINISTRATION'S CONCERN IN MAY AND JUNE OVER CUBAN AND SOVIET INVOLVEMENT IN AFRICA.

LOOKING FOR SOME WAY, SHORT OF MILITARY ACTION, TO PUNISH THE RUSSIANS, BRZEZINSKI'S CLOSE ASSOCIATE, SAMUEL HUNTINGTON, PROPOSED THE USE OF EXPORTS AS A WEAPON AND BRZEZINSKI REPORTEDLY DECIDED TO SEEK CARTER'S APPROVAL.

THIS EFFORT TO LINK EXPORTS TO SOVIET BEHAVIOR WAS ACCELERATED LAST MONTH WHEN TWO PROMINENT SOVIET DISSIDENTS WERE CONVICTED AND THERE WAS AN OUTCRY IN THIS COUNTRY TO RETALIATE IN SOME FASHION.

CARTER CANCELED THE PROJECTED SALE OF A LARGE COMPUTER TO THE TASS NEWS AGENCY ON NATIONAL SECURITY GROUNDS AND ORDERED THAT OIL DRILLING EQUIPMENT BE REVIEWED BY THE NATIONAL SECURITY APPARATUS BEFORE BEING APPROVED FOR EXPORT TO RUSSIA.

THE DRESSER LICENSE WAS THE INITIAL TEST CASE, ALTHOUGH ALL BUT THE 1 MILLION DOLS SEGMENT HAD ALREADY BEEN APPROVED.

COMMERCE SECRETARY JUANITA KREPS STRONGLY OPPOSED TRYING TO LINK EXPORTS TO FOREIGN POLICY PRESSURE AND REPORTEDLY WAS TOLD BY CARTER TO HANDLE THE DRESSER DEAL IN ROUTINE UNCLASSIFIED

UNCLASSIFIED

PAGE 06 STATE 219920

FASHION, PERMITTING THE LICENSE TO BE ISSUED IF THE INTERESTED AGENCIES DID NOT REGISTER OPPOSITION. END TEXT. CHRISTOPHER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, SALES, PETROLEUM, EXPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE219920
Document Source: CORE
Document Unique ID: 00
Drafter: TTENCH:PJP
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780353-0532
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978088/aaaaagds.tel
Line Count: 220
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f6c1ea65-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1783180
Secure: OPEN
Status: NATIVE
Subject: WASHINGTON STAR ARTICLE ON SALE OF OIL TECHNOLOGY UNDER THE HEADLINE "CARTER AIDES SPLIT ON EXPORT DEAL", THE WASHINGTON STAR OF AUGUST 29 CARRIED THE FOLLOWING
TAGS: SOPN, ENRG, UR, US
To: MOSCOW
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/f6c1ea65-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014